From: Derek Scott
To: UKFRS
Subject: FRED 55 (FAO Jenny Carter)
Date: 21 August 2014 14:20:48

I respond to your consultation as someone who has been a professional pensions trustee since 1987, a former chairman of the industry-wide Railways Pension Scheme and a former member of the NAPF's investment council.

While I note FRC's desire to be "proportionate and practical", I do feel the proposal not to accrue "additional" pensions liability under an agreed contractual obligation such as a schedule of contributions is missing the distinction between accruing a pensions liability (typically excluded from working capital requirements in conventional balance sheet formats) and commitments to pay cash and/or surrender control over other assets such as property, inventory, intangible assets such as brands, resulting from a negotiated schedule of contributions and/or additional security agreement(s).

The obligations under a schedule of contributions should correctly be shown as current and/or non-current liabilities.

The accounting deficit resulting from an actuarial estimation of a pension scheme's net present value of funding should be disclosed separately.

While not part of the present FRED 55 consultation, the inconsistent use of discounted net present value of cash flows for liabilities but marginal market values for assets should not be ignored.

A more consistent approach for the assets would be to estimate value in use by discounting expected future cash flows in terms of expected investment income and expected realisable values. The use of market values derived from very small lot sizes is fundamentally flawed.

I shall be happy to expand on any of the points raised in this email.

yours faithfully, Derek Scott CA